

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

<b>In re:</b>	§	
	§	<b>Chapter 11</b>
	§	
<b>CORE SCIENTIFIC, INC., et al.,</b>	§	<b>Case No. 22-90341 (DRJ)</b>
	§	
<b>Debtors.<sup>1</sup></b>	§	<b>(Joint Administration Requested)</b>
	§	<b>(Emergency Hearing Requested)</b>

**NOTICE OF FILING OF DEMONSTRATIVE TO BE USED BY THE  
DEBTORS AT THE DECEMBER 22, 2022 HEARING AT 9:15 AM (CENTRAL TIME)**

PLEASE TAKE NOTICE that, on December 21, 2022, Core Scientific, Inc. and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (the “**Debtors**”), each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code.

PLEASE TAKE FURTHER NOTICE that the Court has scheduled a telephonic and video hearing (the “**Hearing**”) to consider the Debtors’ request for relief on **December 22, 2022 at 9:15 a.m. (Central Time)**.

PLEASE TAKE FURTHER NOTICE that the Debtors’ undersigned counsel will present a PowerPoint demonstrative, attached hereto as **Exhibit A**, to the Court and other interested parties at the Hearing.

---

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (N/A); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors’ corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

Dated: December 22, 2022  
Houston, Texas

Respectfully submitted,

/s/ Alfredo R. Pérez

WEIL, GOTSHAL & MANGES LLP

Alfredo R. Pérez (15776275)

700 Louisiana Street, Suite 1700

Houston, Texas 77002

Telephone: (713) 546-5000

Facsimile: (713) 224-9511

Email: Alfredo.Perez@weil.com

-and-

WEIL, GOTSHAL & MANGES LLP

Ray C. Schrock, P.C. (*pro hac vice* pending)

Ronit J. Berkovich (*pro hac vice* pending)

Moshe A. Fink (*pro hac vice* pending)

767 Fifth Avenue

New York, New York 10153

Telephone: (212) 310-8000

Facsimile: (212) 310-8007

Email: Ray.Schrock@weil.com

Ronit.Berkovich@weil.com

Moshe.Fink@weil.com

*Proposed Attorneys for Debtors  
and Debtors in Possession*

**Certificate of Service**

I hereby certify that on December 22, 2022, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez  
Alfredo R. Pérez

**EXHIBIT A**



## First Day Hearing Presentation

December 22, 2022

**Weil**

# Roadmap

---

1

Core Scientific Background

2

Circumstances Leading to these Chapter 11 Cases

3

Restructuring Support Agreement Overview

4

Path Forward

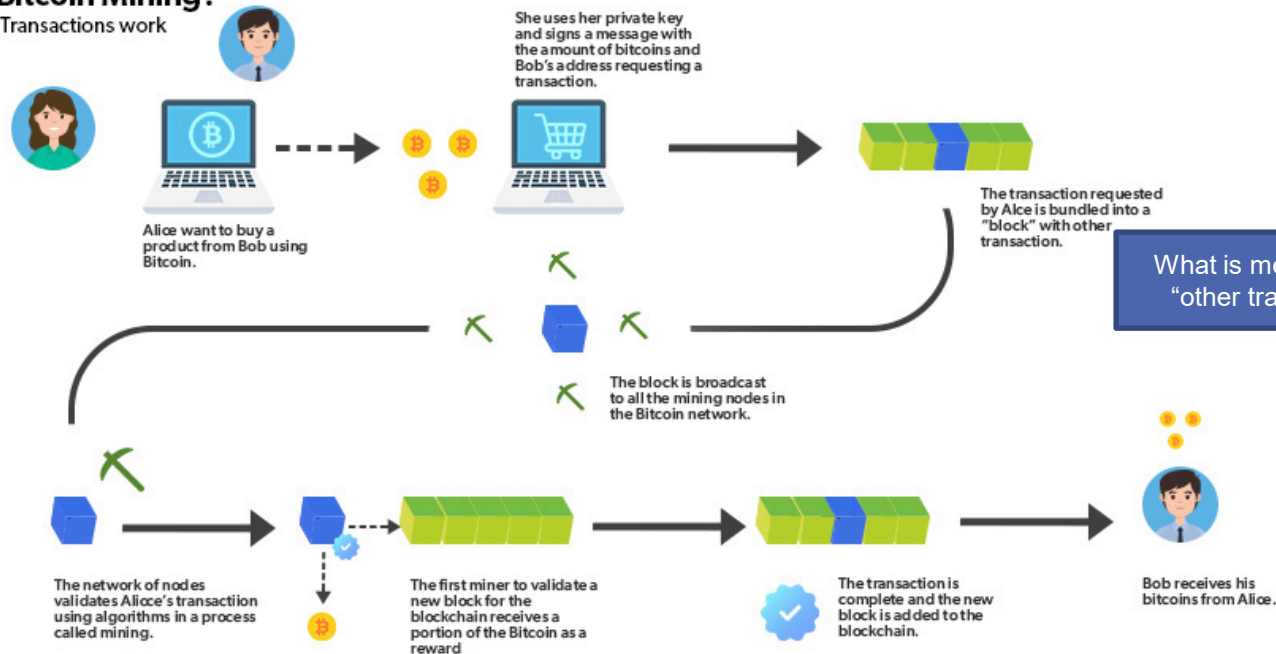
- Core Scientific, Inc. (the “**Company**”) was founded in 2017 as a blockchain infrastructure, hosting provider, and digital asset mining company
- The Company’s revenue streams are from bitcoin it mines for its own account and for providing hosting services to third-party customers. Since inception, the Debtors have built a considerable asset base of approximately 180,000 miners, gained market trust as a premier hosting provider, and demonstrated a multi-year track record of successful management of their businesses
- The Company has been and remains cash flow positive before debt service
- The Company’s most profitable business segment comes from mining bitcoin with machines it owns (self-mining).
- The Company has eighty fully operational data centers, all located in the U.S., in Texas, Georgia, Kentucky, North Carolina, and North Dakota.
- In 2021, the Company engaged in two transactions that have shaped its current corporate structure
  - The Company acquired one of its largest customers, Blockcap, Inc., significantly increasing the number of miners owned by the Company and expanding the Company’s self-mining operation
  - The Company entered into a SPAC merger during which the Company merged with Delaware corporation XPDI, which in turn changed its name to Core Scientific, Inc.
- After going public at the start of 2022, the Company experienced tremendous growth
- Market conditions during Q2 of 2022 led management to refocus the Company’s efforts and resources on self-mining and hosting operations
- The Company’s liquidity and capital structure have been under increasing pressure as the year has progressed due to a number of issues, which are discussed later in this presentation

# Bitcoin Mining Primer

- Bitcoin, the cryptocurrency mined by the Company, operates on a proof of work system. This system operates through specialized computers called miners that solve complex algorithms in order to validate a transaction
- As a reward for being the first to solve an algorithm the miner is rewarded with bitcoin
- Hash rate refers to a miner's ability to solve algorithmic computations per second, a higher hash rate is more likely to be the first to solve and be rewarded with bitcoin
- Miners can work together in mining pods to increase their likelihood of solving an algorithm

## What is Bitcoin Mining?

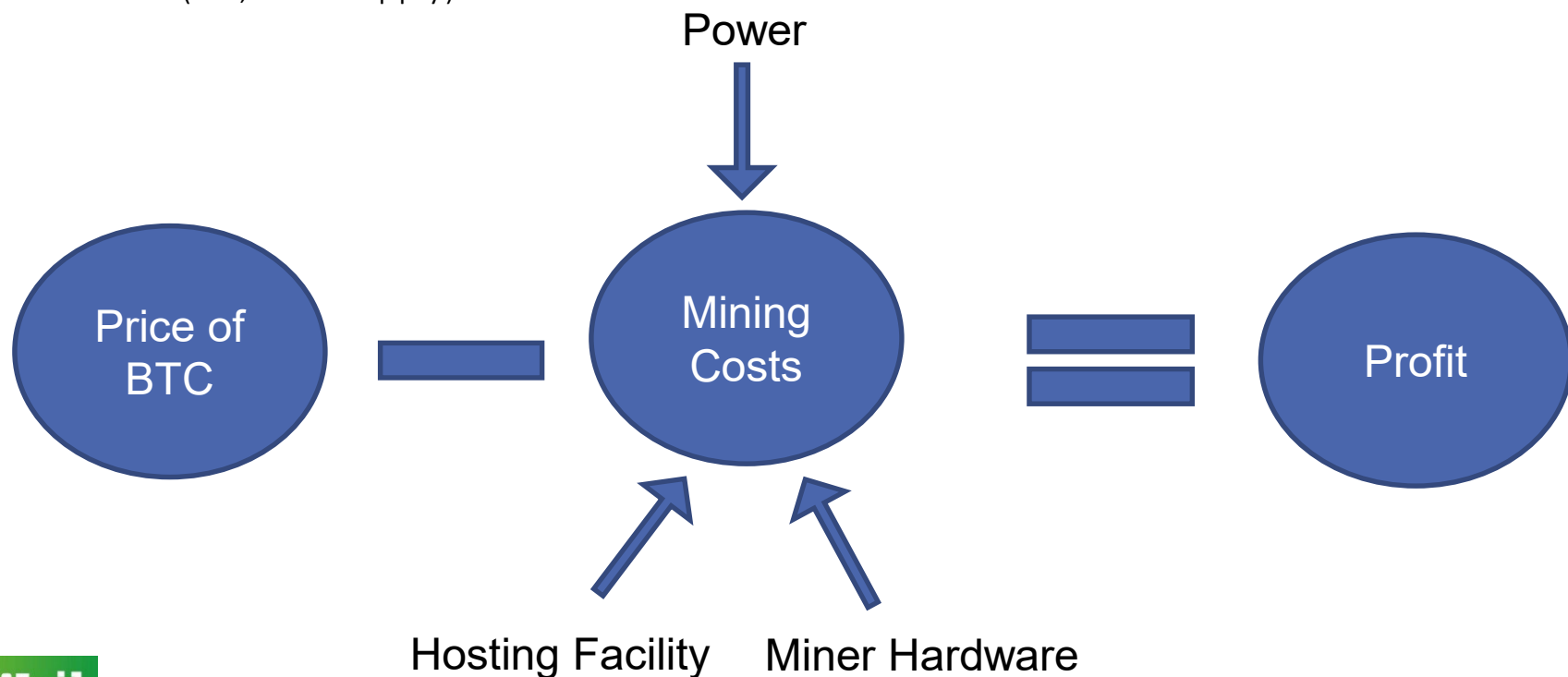
How Bitcoin Transactions work





# Competition and Economic Effects on Bitcoin Mining

- More miners and an increase in more sophisticated miners with higher hash rates make it more difficult to solve the algorithm first
  - More Miners → Increased Competition → Increased Overall Cost per BTC mined, including Power, which is a significant component of variable costs for the business
- In addition, to control the supply of bitcoin, the reward amount for solving an algorithm decreases over time as more BTCs have been released onto the market and there are fewer remaining BTCs left to be mined (i.e., fixed supply)



# Capital Structure

(\$ in millions)

	Maturity	Interest Rate	Amount Outstanding
Convertible Notes Tranche 1	Apr-25	10.0% <sup>(1)</sup>	\$234 <sup>(3)</sup>
Convertible Notes Tranche 2	Apr-25	10.0% <sup>(1)</sup>	\$318
Miner Equipment Financing	Various	12.5% <sup>(2)</sup>	\$274
Non-Miner Financing	Various	7.6% <sup>(2)</sup>	\$31
<b>Secured Debt</b>			<b>\$857</b>
Unsecured B. Riley Debt <sup>1</sup>	Jun-23	7.0%	\$42
Novak Loan	Jan-23	10.0%	\$10
<b>Total Funded Debt</b>			<b>\$909</b>

## Memo:

LTM Adjusted EBITDA (as of 6/30/22) \$358

Other Significant Liabilities

Construction Commitments: Over \$250MM

Assert Construction Liens: Approximately \$70MM

Various Contingent and Disputed, Asserted Litigation Liabilities: Over \$100MM

<sup>1</sup> Placed Company Equity Pursuant to Equity Line of Credit Program

Note: Figures as of 10/31/22.  
 (1) 4% cash, 6% PIK.  
 (2) Weighted average across multiple contracts.  
 (3) Does not include accretion.

## Key Parties

The Company's Board of Directors is comprised of six (6) directors. Three (3) of the directors are independent and currently serve on the special committee.

Company's Management Team and Special Committee Members	
Chairman of the Board, Chief Executive Officer	Mike Levitt
President, Chief Legal Officer	Todd DuChene
Senior Vice President of Capital Markets & Acquisitions	Michael Bros
Special Committee Member	Jarvis Hollingsworth
Special Committee Member	Kneeland Youngblood
Special Committee Member	Neal P. Goldman

Party	Advisors, if known
Company	Weil, Gotshal & Manges, LLP (Proposed Counsel) AlixPartners LLP (Proposed Financial Advisor) PJT Partners LP (Proposed Investment Banker)
Ad-Hoc Group of Convertible Noteholders	Paul Hastings LLP (Counsel) Moelis (Investment Banker)
Equipment Lenders	Various Parties
B. Riley Financial Group	Willkie Farr & Gallagher LLP (Counsel)
Celsius Mining LLC	Kirkland & Ellis LLP (Counsel)

## Circumstances Leading to these Chapter 11 Cases

---

The Company's plan has always been to negotiate consensual resolutions and resolve all matters out-of-court. However, given the numerous claims and substantial resources needed to resolve those claims, the Company has determined that its optimal path to preserve going concern value and maximize recoveries for all stakeholders is pursuant to a chapter 11 plan and the commencement of these cases.

Decline in the Price of Bitcoin

Increase in Power Costs

Celsius' Nonpayment and Related Litigation

Significant Construction Costs for Build Out of Mining Facilities

High Equipment Financing Indebtedness and Amortization

Acceleration of Equipment Financing Debt and Corresponding Cross Default Under Convertible Notes

Litigation and Other Debts

## Prepetition Strategic Efforts

---

- Focus on Cost Cutting
- Pausing Debt Service Payments
- Pausing Construction and Expansion Activities
- Bringing Additional Self-Miners Online
- Monitoring Payables
- Prepetition Stakeholder Negotiations

# Restructuring Support Agreement

Claims and Interested to Be Restructured	<ul style="list-style-type: none"> <li>• April Convertible Note Claims – Approximately \$316 million</li> <li>• August Convertible Note Claims – Approximately \$321 million</li> <li>• Miner Equipment Financing Claims – Approximately \$284 million</li> <li>• Non-Miner Financing Claims – Approximately \$31 million</li> <li>• General Unsecured Claims</li> <li>• Existing Core Scientific Interests</li> <li>• Subordinated Claims</li> </ul>	
DIP Financing	<ul style="list-style-type: none"> <li>• Post petition senior secured priming new money debtor-in-possession delayed-draw term loan facility</li> <li>• Aggregate principal amount of approximately \$150 million</li> <li>• Up to \$75 million in new money</li> <li>• 1:1 roll up of convertible notes up to \$75 million at final DIP hearing</li> <li>• Interest Rate – 10% PIK</li> <li>• Fees: <ul style="list-style-type: none"> <li>• 2.0% PIK upfront fee</li> <li>• 3.0% PIK exit fee</li> <li>• 2.0% roll-up DIP cash exit fee</li> <li>• Approximately \$1.6 million PIK backstop fee</li> <li>• Warrants for 30% of equity, subject to dilution by MIP and warrants if DIP rolls upon exit</li> </ul> </li> </ul>	

# Restructuring Support Agreement

Exit Financing	
Exit Term Loans	<ul style="list-style-type: none"> <li>Company to use commercially reasonable efforts to obtain new exit term loan facility</li> <li>If unable to obtain new exit term loan facility can roll up DIP facility into an exit facility</li> </ul>
Mortgage Exit Financing	<ul style="list-style-type: none"> <li>10-year mortgage financing not to exceed \$45 million secured on the Company's Denton, Texas Data Center</li> </ul>
Fiduciary Out	<ul style="list-style-type: none"> <li>Company has option to terminate if performance is inconsistent with fiduciary duties</li> </ul>
Termination Rights	<ul style="list-style-type: none"> <li>The Consenting Creditors can terminate if, <i>inter alia</i>, the Company: (i) fails to achieve any of the Milestones, (ii) has exclusivity terminated by the Court, (iii) has an Event of Default under the DIP Credit Agreement, the Interim DIP Order, or the Final DIP Order, or (iv) withdraws the Plan.</li> <li>The Company can terminate if, <i>inter alia</i>: (i) the Court enters an order denying confirmation, (ii) one or more Consenting Creditors breaches the RSA, or (iii) the Consenting Creditors do not hold 66.67% of the Convertible Notes under the April NPA within 15 days from the Support Effective Date.</li> <li>May be terminated by mutual agreement of the Company and the Requisite Consenting Noteholders.</li> </ul>

# Restructuring Support Agreement

## Treatment of Claims

Convertible Notes	<ul style="list-style-type: none"> <li>97% of the New Common Shares, subject to dilution by the DIP Warrants, the New Warrants, and the Management Incentive Plan</li> </ul>
Miner Equipment Financing	<ul style="list-style-type: none"> <li>Takeback debt in the amount of each lender's secured collateral value</li> <li>Deficiency claim treated as part of GUCs</li> </ul>
Non-Miner Equipment Financing	<ul style="list-style-type: none"> <li>Reinstated</li> </ul>
General Unsecured Claims	<ul style="list-style-type: none"> <li>If class votes to accept, then (i) pro rata share of 3.0% of equity (split with existing equity) of the reorganized company, subject to dilution, and (ii) pro rata share of GUC Warrants</li> <li>If class votes to reject, then no recovery</li> </ul>
Management Incentive Plan	<ul style="list-style-type: none"> <li>Up to 10% of the New Common Shares</li> </ul>
Existing Core Scientific Interests	<ul style="list-style-type: none"> <li>If class votes to accept, then (i) pro rata share of 3% of equity (split with GUCs) of the reorganized company, subject to dilution, and (ii) pro rata share of Existing Equity Warrants</li> <li>If class votes to reject, then no recovery</li> </ul>



## Restructuring Support Agreement Milestones

---

Milestone	Time After Petition Date
Entry of Interim DIP Order	No Later Than 5 Days After Petition Date
Entry of Final DIP Order	No Later Than 35 Days After Petition Date
Filing of Plan and Disclosure Statement	No Later Than 75 Days After Petition Date
Entry of Confirmation Order	No Later Than 150 Days After Petition Date
Plan Effective Date	No Later Than 165 Days After Petition Date

## Path Forward

---

- 1 Pursue Restructuring Support Agreement
- 2 Entertain Alternative Proposals To the Extent They Present Themselves
- 3 Pursue Sales of Non-Core Assets
- 4 Address Any Necessary Stakeholder Disputes and Related Settlements
- 5 Pursue Plan of Reorganization and Emergence